5-2007

The Archway Investment Fund Semi Annual Report, May 2007

Bryant University, Archway Investment Fund

The **Archway Investment** Fund

BRYANT UNIVERSITY

Semi-Annual Report • May 2007

Table of Contents

Acknowledgement

For two years now, the Archway Fund has provided students with the ability to engage in coursework that transcends the typical classroom experience, bringing real world responsibility, accountability, and success, straight to the desks of Bryant. This is due in no small part to the tireless efforts of the Investment Advisory Board, the Board of Trustees and most of all, Professor Louton, who is not only the course's instructor, but also its biggest advocate. Their support and trust has not only allowed the Fund to remain completely student run, but has also been pivotal in continually increasing the educational value and prestige of the class. Recognition received from area societies, educational institutions, companies, and news periodicals, is a testament to the time and effort of all those involved. With their continued professionalism and cooperation, the Archway Investment Fund will continue to maintain its success in the future.

Professor Louton

Letter from the Coordinator

This is the end of our second full academic year of Archway Investment Fund operations, and looking back, it is evident that we have covered a lot of ground. Over the past four semesters the Fund has benefited from the generally bullish trend in the market. However, there have also been a number of challenges. We have had, and of course always will have, constant staff turnover. Investment guidelines and operating procedures have had to be defined from scratch, and building the perfect portfolio accounting and reporting system for the Fund has proven to be an elusive goal. This semester we have seen significantly greater market volatility than in the past few semesters, and that has required adjustments in some areas. However, our approach to managing the Fund has proven to be resilient in the face of these challenges.

This semester, for the first time, Archway Investment Fund students participated in several competitions. At the end of March, students from the current classes competed in the portfolio management competition which runs each year in conjunction with the Redefining Investment Strategy Education (RISE) symposium, held at the University of Dayton. Then, in April, a team of students from the Fall 2006 Archway Investment Fund class, competed in the New England Collegiate Investment Research Challenge (NECIRC) sponsored by the Boston Security Analysts' Society. Although we did not bring home any trophies this year, both teams acquitted themselves extremely well.

This report tells the story of our many other Archway Investment Fund activities during the spring semester. Please read on, and as always, feel free to send us your thoughts and suggestions.

Professor David Louton
dlouton@bryant.edu

C.V. Starr Financial Market Center

New England Collegiate Investment Research Challenge

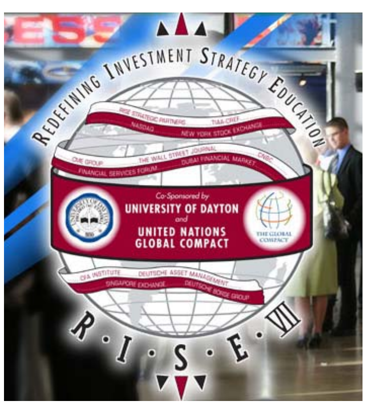
On April 10, 2007 the Boston Security Analyst's Society (BSAS) held the first annual New England Collegiate Investment Research Challenge (NECIRC). Four New England schools were invited to participate in the inaugural competition: Babson College, Bryant University, Harvard Business School, and Massachusetts Institute of Technology's Sloan School of Management. The Bryant team participants were seniors James Gallant, Jessica LaRoche, Brett Lousararian and Alicia Ritt. The competition, which consisted of a written research report on Analog Devices (ADI) and presentation to a distinguished panel of judges, proved an overall success, and provided all participants with a valuable educational and networking experience.

Preparation for this competition began in November with the announcement of the company to be analyzed along with the assignment of a mentor, Peter Phillips, CFA, of Amica Insurance. This opportunity would not have been possible without the experiences and knowledge gained through extensive involvement with the Archway Investment Fund. The NECIRC proved to be a time consuming and challenging process, but was extremely rewarding. After a considerable amount of research, the investment recommendation reached by the Bryant team was a hold rating, while the other schools presented buy recommendations. The Babson team ultimately won the competition and presented at the international competition held in New York City. Although the decision was not in favor of Bryant, the team was commended for their unique thinking and analysis, particularly regarding ADI's business strategy. At the reception following the presentation, the Bryant team received many compliments on their strong presentation skills. These skills were honed by presenting stock pitches in the Securities Analysis course, and proved to give the Bryant team an edge in this competition.

BSAS
THE BOSTON SECURITY ANALYSTS SOCIETY, INC
a Member Society of CFA Institute

R.I.S.E. VII Symposium

The University of Dayton R.I.S.E. Symposium VII (taking place from March 29 to March 31, 2007) was an educational experience that was created to bring together students from all over the world involved in student run portfolios. It included top notch keynote speakers such as Dr. Myron S. Scholes, Chairman of Platinum Grove Asset Management and Nobel Laureate in Economics 1997, Dr. Jan Hatius, Chief U.S. Economist, Goldman Sachs, and Dr. John E. Silvia who discussed the state of the economy and future predictions. There was some dispute, but there is a general belief in the slowing of the economy, along with one possible interest rate cut at the end of 2007. Next, Robert Doll, the Vice Chairman and GCIO of BlackRock, Knight Kiplinger of Kiplinger's Personal Finance, and others, discussed the financial markets. There was a greater focus placed on international diversification and the real estate market, including sub-prime lending. The sub-prime lending problems have started to trickle down and could cause the markets to be very unstable in the coming months. Peter Coors, Chairman of Molson Coors Brewing Company, and Ralph Alvarez, CEO of McDonald's discussed corporate governance along with Paul Atkins, Commissioner of the SEC and Patrick Dorsey CFA, the Director of Stock Analysis at Morningstar. The big topic was Sarbanes-Oxley and the role executives should play in corporate responsibility and reporting. It was noted that companies that are truly concerned about their shareholders are the companies that have been the most successful. Coors also argued that compensation is necessary in order to keep directors' attention focused on the company.



Along with these well established speakers, there were break out sessions designed to go further into particular areas of interest. These areas included panel discussions on real estate, hedge funds, portfolio management, fixed income, and risk management. The R.I.S.E. Symposium VII ended with a trip to the Air Force Museum and a speech by Reverend Jesse L. Jackson, Sr., who discussed the importance of diversity and cultural integration in the business environment and in the world at large.

2007 Archway Fund Graduates...Where to Now?

Tarang Patel

Financial Management Program
General Electric - NBC Universal

"The fund prepared me for my position with the use of technology incorporated in the C.V. Starr Financial Markets Center, focus on international issues, and making professional reports and presentations."

Joe Importico

Financial Consulting
FactSet Research Systems

"I consider the Archway Fund the most demanding class that I have participated in at Bryant University. This class has provided me with the most rewards, in terms of building confidence when applying many financial concepts outside of the classroom. I believe that I am prepared to succeed in the workforce due to the preparation the Archway Fund enabled me to gain."

Bryan Morrell

Internal Wholesaler & Specialist for Annuities and Long Term Care Products / Financial Rep
Baystate Financial Services

"The archway fund highlighted the importance of diversification and appropriately managing risk based on numerous factors. It also made us look into appropriate investments based on planned out objectives, much like what I will need to be doing in financial planning."

Bob Ebert

Financial Advisor
Waddell & Reed

"My job is going to be centered on analyzing financial situations and making decisions based upon my research. With the Archway Fund, I feel as if I have already gotten a strong taste of that."

Natalie Ghazal

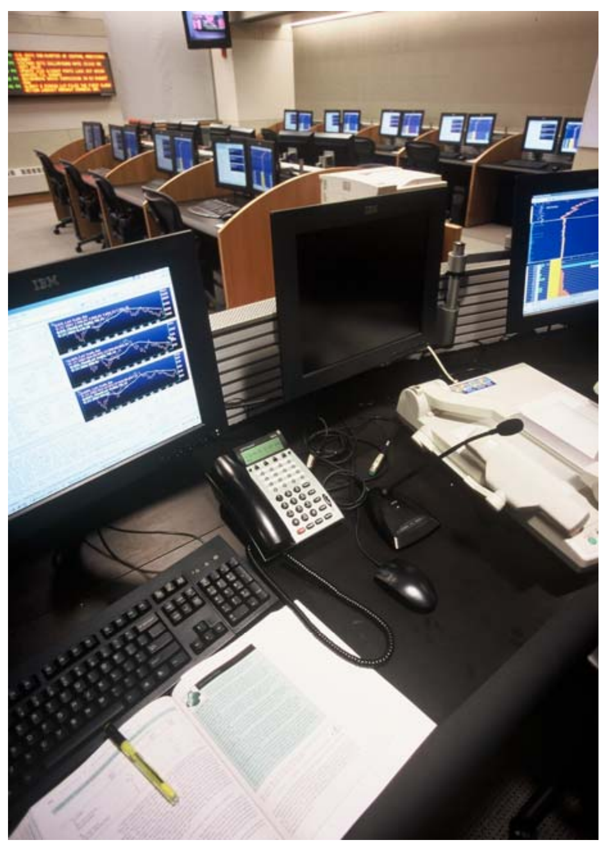
Equity Research Analyst
Bank of America Securities

"The class was a stepping stone in preparing me for the interview and what to expect as an analyst."

Nick Sinkus

Financial Management Leadership Development Program
Travelers Insurance

"There was hardly an interview that I went on that the Archway Fund did not come into the conversation. Companies were continually impressed by the level of responsibility and analytical nature of the class."



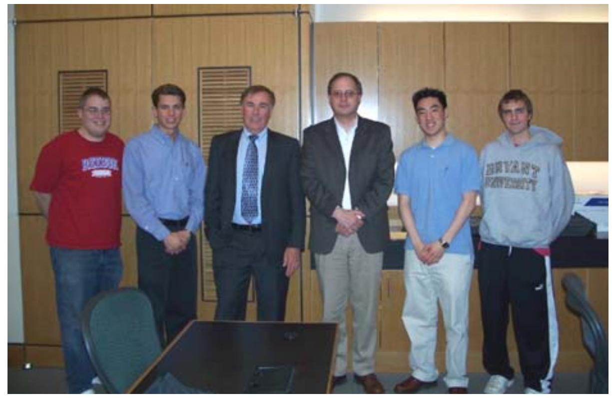
C.V. Starr Financial Market Center

Guest Speakers

Nicholas Bohnsack '01
Operating Partner & Investment Strategist
Strategas Research Partners, LLC

John Burke '03
Securities Analyst
Amica

Steven Cowen '69
Owner & Principal
Cowen Associates



Steve Cowen & Professor Louton with Fund analysts

The Economy

The average GDP forecast in the Wall Street Journal's Economic survey was lowered to 2.3% growth for the first quarter of this year from the previous estimate of 2.5%. Estimates for the rest of 2007 held steady at 2.4% growth for the second quarter, 2.7% for the third, and 3.0% for the fourth. Our forecast is that GDP growth will reach 3% only if inflation is allowed to approach 3%. Our previous growth estimate of 2.8% in the third and fourth quarter of 2007 seems more realistic with the Fed holding rates constant.

The current inflation rate is below core inflation, meaning that the price of food and energy is rising at a slower rate than other consumer products. If food prices, driven by increasing corn demand, increase at a faster rate, the Fed will need to respond before inflation reaches 3%. As of February, inflation was 2.7% and core inflation was 2.4%.

Last month unemployment fell to 4.4%, down from 4.6% in January. Unemployment has remained between 4.4% and 4.6% since September of 2006. The level of unemployment which produces an acceptable inflation rate according to the Philips curve is called the Non- Accelerating Inflation Rate of Unemployment (NAIRU). Estimates of the NAIRU place it somewhere between 5.5% and 6.5%. Assuming the most optimistic scenario of 5.5% would imply an expected inflation rate of 2.75%, which is about where we are today. If we use the long term average NAIRU of 6%, we can expect inflation to rise to 4%. In the current economic expansion, we place more confidence in the lower estimate of NAIRU, but feel that the threat of unacceptable inflation remains, as long as unemployment remains low.

The sub-prime lending problem has been repeatedly covered in every major news outlet with dire predictions regarding its effect on the housing market. Meanwhile, in the real world, housing starts were up 9% from January. This is still about 18% below last year's level, but it indicates that the housing surplus is decreasing and we can expect house prices to begin to recover during 2007.

As discussed earlier, consumer confidence fell on news that the Fed would hold rates constant. The fall from 111.2 in February to 107.2 could also be attributed to the recent volatility experienced in both domestic and global financial markets. Alan Greenspan's comment that a recession is a possibility also likely impacted consumers' future expectations. In February, personal income increased by 0.6% and disposable income increased by 0.5%. Both measures are down from January when personal income increased by 1% and disposable income increased by 0.8%.

Existing home sales showed the largest single month increase in three years rising 3.9% from January sales. Existing home sales remain 3.4% below last year's numbers, but the improvement in existing home sales may be a leading indicator for housing starts since previously owned homes are an inferior substitute for new homes. The recovery of housing construction will reinvigorate the materials sector.

Archway Fund Committees

Executive Committee

As the Executive Committee kicked off the 2007 fiscal year, they had two main objectives in mind. First was to increase synergy between the Portfolio Management and Security Analysis classes. This was accomplished through the creation of the Sector Management/Technical Committee. As the title suggests, the committee consists of sector managers whose responsibilities range from streamlining buying procedures to taking a more active role in mentoring the Securities Analysis class. The importance of proper training of new securities analysts is crucial to the fund's performance both in the short-term and in the long-term, because these analysts are responsible for providing research on securities now and will run the portfolio next semester.

The second objective of the Executive Committee was to outperform the S&P 500 by adjusting the sector weights to take a more defensive stance. This semester's Executive Committee also continued the trend of decentralizing decision making in hopes that the trade approval process would flow more smoothly. While the basic trade approval process remained the same, the Executive Committee focused efforts on removing hang ups between stocks voted on in class and the actual purchase of these securities for the portfolio.

For the remainder of the semester, the Executive Committee will continue to monitor the performance of the Fund. If economic conditions vary considerably from our forecasts, a reweighting of the portfolio will be considered.

Executive Committee, left to right: Nick Sinkus; Greg Lloyd; Daniel Hultberg; John Zicaro; John Manoni

It is also the aim of the Executive Committee to position the Archway Investment Fund for prosperity over the summer months and to create a contingency plan to help more actively manage the fund while classes are not in session.

Management/Technical Committee:, Left to Right: Brian Basiliere; John Manoni (chair); Jason Christman; Jared Gardner; Jeffrey Wade Not Pictured: Christian Pickett

Sector Management / Technical Committee

This semester we decided to try something new with the Sector Management/Technical Committee. This group was developed in order to act as a liaison between the Securities Analysis and Portfolio Management classes. The idea was to place certain contact individuals from each sector group in charge of training the securities analysts in areas they will need in order to succeed. Along with that task comes the responsibility for the more mechanical and structural aspects of the Archway Investment Fund.

One of the first undertakings of the committee was to standardize all of the reporting for the class. This included presentation, stock recommendation, and memo templates which should be used for every assignment. The purpose of this was to show what areas to cover when analyzing stocks. Also it helps the intended audience by keeping a common flow between multiple reports. The information will now be structured in a uniform way and as a result it will be easier to follow. It is our hope that these report templates will be unique and professional, so that students will be able to bring their work to show on interviews for potential jobs.

An additional task for the committee is the design and implementation of a new Archway Investments Fund web site. It will allow sector groups to post their projects and stock pitches, so they will be available for the entire class to view. The site will also serve as a place to house the new reporting templates. With this site, the groups will have a

(Continued on page 7)

Technical Committee Continued

(Continued from page 6)
place where all pertinent information about their sector, including current holdings, performance, sector composition, and sector outlook, will be posted.

Marketing & Reporting, left to right: Nathan Olszewski, Nick Sinkus (chair); Ryan Shorey; Erika Rosewell; Tom Baumann; Bryan Morell Not Pictured: Wade Ojala

Marketing & Reporting Committee

The Marketing & Reporting Committee's main objective is to insure that the fund is presented to the campus, trustees, investment advisory board, and the public in a manner which reflects the diligence and effort put forth by all those involved. To do so, the committee uses two key publications: the mid-semester update letter, and the end of semester report. The committee also produces a marketing opportunities assessment memo, and, in conjunction with the technical committee, a list of recommended improvements to the Fund web sites. Each of these offer different opportunities to communicate to interested parties and effectively portray the work, progress, and future plans of the fund.

Although the semester reports provide the bulk of information on financial performance and details concerning committee and sector strategies, perhaps the most important portion of the committee's work is the marketing opportunities memo. This document outlines opportunities for the fund to increase its reputation, professionalism, and funding, now and in the coming semesters. As the fund is still relatively young, solid marketing is essential in order to maintain the prestige, increase the distinction, and ensure the longevity of this excellent educational experience.

In addition to the items mentioned above, the committee is researching the possibility of acquiring Fund logo merchandise that can be worn and used by participants, and given to guest speakers as gifts. We hope that this, along with the semester reports, will continue to increase student and alumni interest and awareness in becoming involved with the Archway Investment Fund.

Performance, Risk, and Portfolio Accounting Committee

The Performance, Risk, and Portfolio Accounting Committee is responsible for the key functions of monitoring the performance and risk of the fund. The task at hand for the committee is to provide accurate statistical analysis of the current level of risk of the portfolio. This enables the Executive Committee to implement a strategy that will maximize returns while limiting the portfolio's exposure to risk. Without constant statistical analysis of risk and return, it would become much more difficult for members of the executive committee to determine whether their strategy is being effectively implemented, and whether it is an appropriate strategy given current market and economic conditions. The statistical analysis provided to the executive committee consists of calculating each sector's beta, standard deviation, and variance; and analyzing the aggregate performance of the portfolio.

We have obtained a software grant from Morningstar that gives us access to their Advisor Workstation product. Through the use of the Morningstar software, we hope that in the future the committee will be more efficient in the record-keeping process, while decreasing the probability of human error in the risk and return calculations.

Performance, Risk & Portfolio Accounting, left to right: Seth Mayo; Daniel Hultberg (chair); Nathan Boutin; Karina Gonzalez; Thomas Becker; Danielle Godon; Ben Leger Not Pictured: Kevin McCarthy

Alternative Investments

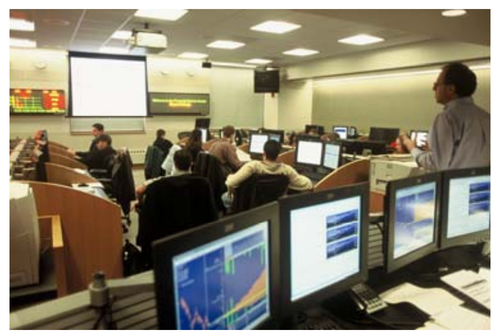
The Alternative Investments Committee was established to analyze international and domestic niche investment opportunities which may be attractive as part of the Archway Investment Fund. This committee aims to increase exposure in alternative investments by investing in equities, options, ETFs, and mutual funds, with superior fundamentals and past performance records.

For 2007, we expect to continue to see extraordinary growth in foreign markets. Countries and regions such as China, India, and Latin America are expected to experience high GDP growth over the next year, which will fuel this growth. However, with the recent correction in the global markets, we are waiting to see if this adjustment is temporary or if it is the start of a global recession. The fundamentals of stocks have not changed and are not expected to do so this year, therefore, we expect stocks across the globe to rebound as the market attempts to rally. Foreign/domestic industries and niches that we are watching are listed below.

Alternative Investments, left to right: Ben Bedard; Greg Lloyd (co-chair); John Zicaro (co-chair); Daniel Schmidt; Sarah McDonnell; Ted Ferik; not pictured: Mike Aretakis

Foreign Internet Content
Foreign Wireless
Hedge Funds
Foreign and Domestic REITs
Pollution Control

Energy Drinks
Foreign Airlines
Containers
Chemicals – Fertilizers
Nursing Home Health Care



"Anyone interested in the financial world should become involved with the Archway Fund. It is the best way for Bryant students to get real world experience without having to leave the classroom"

Nick Sinkus '07

Archway Fund Sectors

Financial Sector

Currently the market is not offering favorable conditions for the financials sector. The inverted yield curve has been shrinking net interest margins for several quarters and the weakening U.S. dollar is widening our trade deficit. Inflation is slightly outside the Fed's comfort level as uncertain energy prices and the declining housing market are major macroeconomic concerns. Also, the sub-prime lending problem is anticipated to spread throughout parts of the economy and cause a rise in the unemployment rate. Combining all these factors with the market correction that began on February 27, 2007, the financials sector has taken a hit. Looking forward however, a potential rate cut for 2007, or in the first half of 2008, is on the horizon.

Regarding sector strategy, the financials sector is overweighted at approximately 22 percent of the entire portfolio. The financial sector has reported a 5.45 percent gain in the first quarter of 2007. The sector laggards have been Legg Mason, Washington Mutual, and Commerce Bancorp - all with significant exposure to the housing market. Our sector leaders are Morgan Stanley, reporting a gain of 43 percent, and Prudential Financial, yielding almost a 20 percent gain. Recently in response to the market correction, the financials sector acquired a position in Goldman Sachs. Also, in an attempt to broaden international exposure, the financials sector purchased shares of ICICI bank, an American Depositary Receipt (ADR) for the second largest bank in India. The growth potential for India's economy, and the cooling of the U.S. economy, provides the financial sector with perfect opportunity to invest abroad.

Despite our attempts at active stock selection, the financial benchmark has been difficult to beat, and this is why approximately 25 percent of the sector is held in the sector ETF. When, and if, the Fed cuts rates, the financial sector would be a much healthier and more promising investment, particularly if the yield curve returns to normal. As of right now, the diversified financial companies and the insurance industry look the most attractive for our sector . On the other hand, limiting our exposure to the housing market, and closely monitoring holdings, is an integral part of our sector strategy.

Financial Sector, left to right: John Saviet; Kristofer Hart, John Tuite

Technology Sector

This semester the technology sector has performed well as it led the way in the bull market we entered during the last quarter of 2006 and the first and second quarter of 2007. Some recent stock picks have worked out well for us giving the sector a boost in the short time we have been holding them. Garmin Ltd. has given us a 13.02 percent return in just three months. Cisco Systems and Apple still lead the way with 51.87 and 50.51 percent gains respectively. We are anxious to see the effects of Apple's big product innovations with the iPhone and the future affects of Microsoft Vista. We are expecting a short-term to mid-term rise in many computer and chip manufactures as Vista will force consumers to make upgrades from their old computers. The sale of ADSK and the generous amount of cash we hold in our ETF will allow us to expand

(Continued on page 10)

"The key to making money in stocks is not to get scared out of them. "

Peter Lynch

Technology Sector Continued

(Continued from page 9)
our options and take more risk as we try to improve our performance.

Our strategy this semester was to continue to improve our stock quality selection. We will continue to sell off lagging stocks and replace these stocks with companies with strong earnings and revenue growth in strong industries. Also we plan on increasing our exposure in foreign technology companies. The areas in which we anticipate growth are Foreign Wireless (which we finally tapped into with the addition of Nextel Holdings) and Foreign Internet Content industries. Overall, we feel technology will continue to do well, as it did in the second half of 2006. However, we anticipate a slight near term slow down in the sector, as many investors realize gains from the bull market of the past quarters and sell off some shares.

Technology Sector, left to right: Dave Tinory; Michael Oliveri, Bob Ebert; Jeffery Mello

"I never buy anything unless I can fill out on a piece of paper my reasons. I may be wrong, but I would know the answer to that. "I'm paying $32 billion today for the Coca Cola Company because..." If you can't answer that question, you shouldn't buy it. If you can answer that question, and you do it a few times, you'll make a lot of money.

Warren Buffett

Industrials Sector, Left to Right: Mike Merlis; Raymond Donofrio; Mark Miceli

Industrials Sector

The industrials sector has been hit hard since the market correction in late February. In addition to the broad sell off from the weakness in the Shanghai market, the weakness in durable goods orders, which fell 7.8 percent, had a big impact on the industrials sector. The current rise in oil prices attributed to the peak driving season in the spring and summer months, as well as tensions with Iran, has hurt the transportation stocks we own. UPS and Southwest Airlines (LUV) have both seen a substantial reduction in their stock prices with UPS down 7 percent from the market correction and LUV down roughly 10 percent. On a better note, Ryan Air continues to post strong earnings through new routes and possible acquisition opportunities, that have produced an 85 percent return since we bought it. Caterpillar, a value stock pitch from last semester, has seen a 10 percent gain since it was added to the portfolio. This was due to a stock buy back plan as well as confidence in long-term growth prospects and cash-flow generation.

We remain confident that the industrials sector should perform on par with the market in both the short and long term. Potential declines in the sector if oil prices do not

(Continued on page 11)

Industrials Sector Continued

(Continued from page 10)
moderate over the upcoming peak driving season may hurt our transportation holdings, as well as continued declines in manufacturing, consumer spending, and business investment. We do not see the latter happening because most companies have substantial cash on hand as a result of last year's bull market and are looking for good investments. Because most of our holdings are in large cap stocks, our sector is defensively weighted, and we are able to pursue riskier stocks abroad and in emerging markets. With respect to domestic stocks, we are bullish on aerospace and defense, and we see strong potential in small cap stocks within the industry.

Consumer Sector, left to right: Stephanie Creati; Joseph Babcock; Bennett Turner; Kevin Knapton

Healthcare Sector

Currently in the healthcare sector we have seen a growing demand for services that has benefited most of the leading healthcare companies. The industry's expansion has been largely fueled by an aging population and product innovation. In the near future we anticipate continuing development in the healthcare field. This will be primarily attributable to the introduction of new technologies and the increasing demand for the newest and most efficient treatments.

In 2006, the number of US healthcare mergers and acquisitions grew rapidly as the country's economy continued to boom. We expect to see this trend remain strong in 2007 as we find many healthcare companies sitting on large cash positions. We feel that there might be too much downside risk to speculate on small cap buyouts though, so we believe the investment focus for the sector should be on large cap firms with strong cash balances. In September 2006 for example, Quest Diagnostics Inc, which provides patient diagnostics tests for doctors, announced they had completed acquisition of Enterix Inc, a privately-held maker of a test that screens for colorectal cancer. We expect M&A activity to remain strong, driving a rally in the sector for the future.

One risk that this sector faces is tight regulations by the FDA and other regulatory agencies. Generic drug competition is becoming more of a factor as companies are looking to promote use of their drug in place of a prescription drug that is coming off patent. This could hurt major drug companies that rely on the income generated by a certain drug to do well and bring in a lot of revenue. Litigation is always a factor as biotechnology and pharmaceutical companies could be sued by many people if one of their drugs has adverse side-

(Continued on page 12)

Consumer Discretionary & Staples Sector

The consumer discretionary and consumer staples sectors have seen little to no gain over the past several months. The SPDR index for consumer staples has seen about a 1 percent gain over a 3 month horizon while the Consumer Discretionary SPDR has seen about a 1 percent loss over the same period. This stagnant growth is expected and is right in line with our S&P500 benchmark. Our current holdings have shown little to no growth. McDonald's, our bread winner last year, is up 2 percent since January 1, 2007. We still anticipate double digit growth for McDonald's, but no where near last year's spectacular 40 percent. Altria Corporation is down 1 percent since the beginning of the year. Altria showed excellent growth last year and decided to spin off Kraft Foods in early February. As a result, received 35 shares of Kraft in late March. Honda is down 10 percent year-to-date. However, last year was a terrific year for Honda, and we still expect it to outperform the U.S. automakers.

In early February we sold Parlux Fragrances which lost nearly 50 percent during our holding period. We also sold Home Depot due to the slumping housing market and its poor growth outlook over the next 12 months. We lost just over 8 percent of its original value during the past year. We purchased 125 shares of CVS Corporation at $32.67 on February 16, 2007. We saw excellent growth potential for CVS as well as a dominant market position in the retail drug store industry. CVS has increased 10 percent in the past 3 months. This semester we decided to keep consumer staples at market weight and underweight consumer discretionary once again. We felt that with home values still falling, consumers have less equity to pull from their property. This, coupled with a slowing economy, decreases the overall discretionary income available, and explains our underweighting of the consumer discretionary sector.

Healthcare Sector Continued

Healthcare Sector, left to right: John Maresca; Katelyn Cavalieri; Kyle Mason

(Continued from page 11)
effects.

Expected increases in costs for companies places a larger burden on smaller, less profitable companies than larger ones. Currently we feel that our investments would be best allocated with larger companies which might not be as affected by an increase in costs. It is not to say that we should stay away from small cap companies, but we should make sure that they have strong growth potential, a strong pipeline, historical success, and a number of major catalysts to guarantee future profitability and sustainability.

Economic Analysis and Emerging Opportunities

The Economic Analysis and Emerging Opportunities (EEO) group analyzes companies in the energy, materials and utilities sectors. For this semester, the energy and materials sectors were market weighted, while the utilities sector was under weighted. In the energy and materials sectors we have taken an active management approach by seeking stocks with the greatest alpha. Our top performer since the beginning of the semester has been Parallel Petroleum with over 33 percent in gains. The energy sector has remained volatile but flat through the first quarter with Halliburton, Noble, Oceaneering International, and our newest stock, Arena Resources, performing similar to the energy ETF. Baker Hughes and ConocoPhillips underperformed because they missed analyst estimates for the most recent quarters.

Oil prices have been increasing since their January low of $50 per barrel, but we have not seen a corresponding rise in energy stocks due to the recent high volatility. We expect oil prices to stabilize and begin to rise as we go into the summer driving season, which is a positive outlook for this sector. Our goal this semester has been to have a diverse group of energy stocks, holding the best stock in each sub-sector, while also looking for international exposure. Concerns for the future include Iran's nuclear program and the uncertainty about changes in interest rates towards the end of the 3rd quarter.

In the materials sector, we have currently found one stock that we believe can outperform the ETF, Ashland Inc. Overall, the materials sector performed well in the last quarter, gaining over 10 percent. Also performing well was the utilities sector where we have taken a hands-off approach. With a weak economic outlook due to high interest rates and a saturated domestic market, we have been unable to find a single stock that stands above the rest. This approach has worked well for us, posting 11.5 percent gains in the utilities sector since the beginning of the year.

Economic Analysis & Emerging Opportunities, left to right: Stephen Rush; Jonathan Tan; Eduardo Ramirez; Joseph Silva

"You are neither right nor wrong because the crowd disagrees with you. You are right because your data and reasoning are right."

Benjamin Graham

Portfolio Strategy

Every semester the Executive Committee is charged with the task of strategically re-weighting the portfolio in order to best position the fund to provide optimal returns given the current economic conditions and near term outlook. Several committees before ours have taken a very pro-active stance in doing this, often over or underweighting the majority of sectors, typically following a strategic defensive or aggressive stance. However, our decision was to take a more reserved approach and only alter the weighting of a sector if our convictions for doing so were both of a very solid nature and strongly supported by the prevailing forecasts of analysts, both on Wall Street and inside our fund. Accordingly, this led us to overweight two sectors, Healthcare and Financials, and to underweight Consumer Discretionary and Utilities.

Sector	S&P Weighting	Archway Fund Weighting
Financials	22.29%	23.90%
Healthcare	12.04%	12.70%
Consumer Staples	9.36%	9.26%
Utilities	3.42%	2.47%
Energy	9.98%	9.97%
Technology	18.66%	18.72%
Industrials	10.85%	10.87%
Consumer Discretionary	10.54%	8.97%
Materials	3.02%	2.97%

We derived our strategic portfolio weighting primarily from insight gathered from individual sector managers and committees through their economic outlook presentations, which were compiled at the beginning of the semester. The facts and data presented served as the basis for the rationale behind our sector weighting. Expected stability in Fed rates during the first half of the year, low market volatility in the sector, and the slightly defensive nature of the sector, led us to overweight Financials. An overweight in Healthcare was again due to the defensive nature of the sector, as well as shrinking unemployment rates, which are allowing more Americans to gain access to health plans. On the opposite end, with home values falling, consumers have less equity to pull from their property. This, coupled with the slowing economy, decreases the overall discretionary income available for consumer spending. Because of this, we underweighted the Consumer Discretionary sector. Similarly, Utilities was an underweight, but for quite different reasons. Although it is typically a defensive sector, we saw very little opportunity for growth or alpha. Domestic utilities are a saturated market, new age (green) utilities have not had strong returns, and foreign markets have shown increasing volatility. The other sectors each seemed to have their fair share of both positive and negative news and trends. Overall though, only these four sectors presented us with a clear and decisive way to positively affect portfolio performance.

What's Hot and What's Not

Purchase Date	*Ticker*	*Name*	*Current Price*	*Shares*	*Stock Weight in Portfolio*	*Holding Period Percent Gain / Loss*	*Month Percent Gain / Loss*	*YTD Percent Gain / Loss*
4/26/2006	**RYAAY**	**RYANAIR**	**$47.36**	**100**	**1.16%**	**94.74%**	**9.48%**	**16.22%**
10/25/2005	**CSCO**	**CISCO SYSTEMS**	**$26.62**	**350**	**2.28%**	**55.67%**	**2.42%**	**-2.60%**
10/25/2005	**MCD**	**MCDONALDS**	**$48.10**	**100**	**1.18%**	**51.09%**	**10.63%**	**8.50%**
3/21/2006	**AAPL**	**APPLE**	**$91.43**	**50**	**1.12%**	**45.36%**	**2.05%**	**7.77%**
12/2/2005	**MO**	**ALTRIA GROUP**	**$69.37**	**50**	**0.85%**	**41.05%**	**9.03%**	**8.68%**
5/3/2006	**LM**	**LEGG MASON**	**$98.32**	**50**	**1.21%**	**-14.17%**	**4.20%**	**3.89%**
5/15/2006	**WM**	**WASH MUTUAL**	**$40.73**	**50**	**0.50%**	**-8.44%**	**2.13%**	**-9.39%**
12/2/2005	**LUV**	**SOUTHWEST**	**$15.29**	**100**	**0.37%**	**-7.95%**	**1.96%**	**-0.14%**
10/25/2005	**INTC**	**INTEL CORP**	**$20.69**	**250**	**1.27%**	**-5.88%**	**8.04%**	**2.76%**
2/14/2007	**MDT**	**MEDTRONIC**	**$51.40**	**50**	**0.63%**	**-5.86%**	**5.18%**	**-3.94%**

Fund Performance Summary

As of the market close on April 16, 2007, assets under management totaled $407,970.12. Of this amount, 33.17% was allocated to sector ETFs, 58.97% was actively invested in individual stocks, 5.10% was allocated to industry focused ETFs, and the remaining 2.75% was held in cash.

The fund's year-to-date return of 3.50% trails the performance of the S&P500 Index benchmark, which returned 4.01%, by 51 basis points. On an annualized basis, the fund's return of 12.49% trails the benchmark's 14.40% return by 1.91%. The fund is underperforming the dynamic benchmark's annualized 14.96% by 2.47%.

The dynamic benchmark, which is calculated using the fund's actual sector weights and the returns of the sector ETFs, is used to assess the breakdown of the fund's return. Based upon the return of the dynamic benchmark, the fund's annualized differential return of -2.47% can be attributed to poor stock selection, while sector allocation decreased the differential by 0.56%.

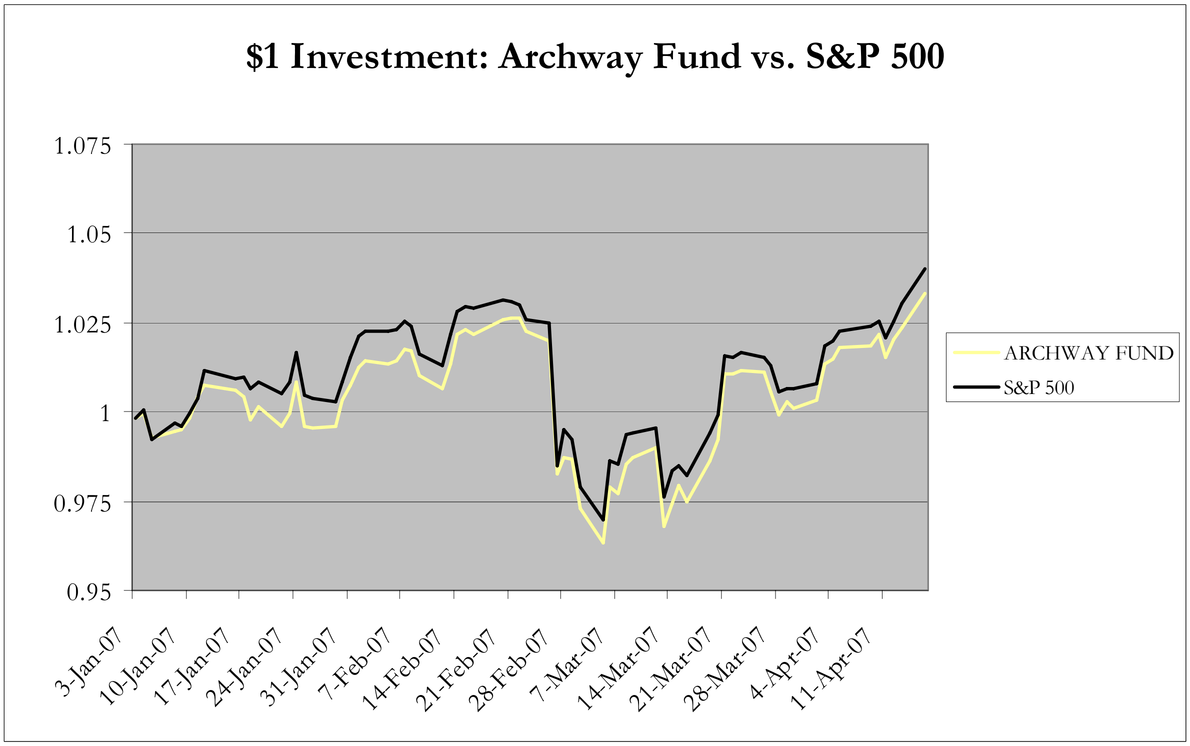
Year-to-Date Comparisons

	Sector Weight	*SPDR Weight*	*YTD Sector Returns*	*YTD SPDR Returns*	*Sector Beta*	*SPDR Beta*
Financials	22.50%	22.29%	0.15%	-0.05%	1.10	0.98
Technology	16.62%	18.66%	2.32%	3.57%	1.18	1.21
Healthcare	12.85%	12.04%	5.75%	7.20%	0.82	0.70
Consumer Staples	8.74%	9.26%	5.04%	4.45%	0.64	0.62
Industrials	10.42%	10.85%	5.00%	4.05%	1.18	1.05
Energy	9.56%	9.97%	12.31%	8.50%	1.04	1.11
Consumer Discretionary	10.37%	10.54%	3.97%	2.61%	1.04	1.08
Utilities	3.34%	3.42%	12.13%	12.13%	0.63	0.63
Materials	2.48%	2.97%	2.25%	13.33%	1.20	1.34
Alternative	3.13%	-	8.51%	-	1.44	-

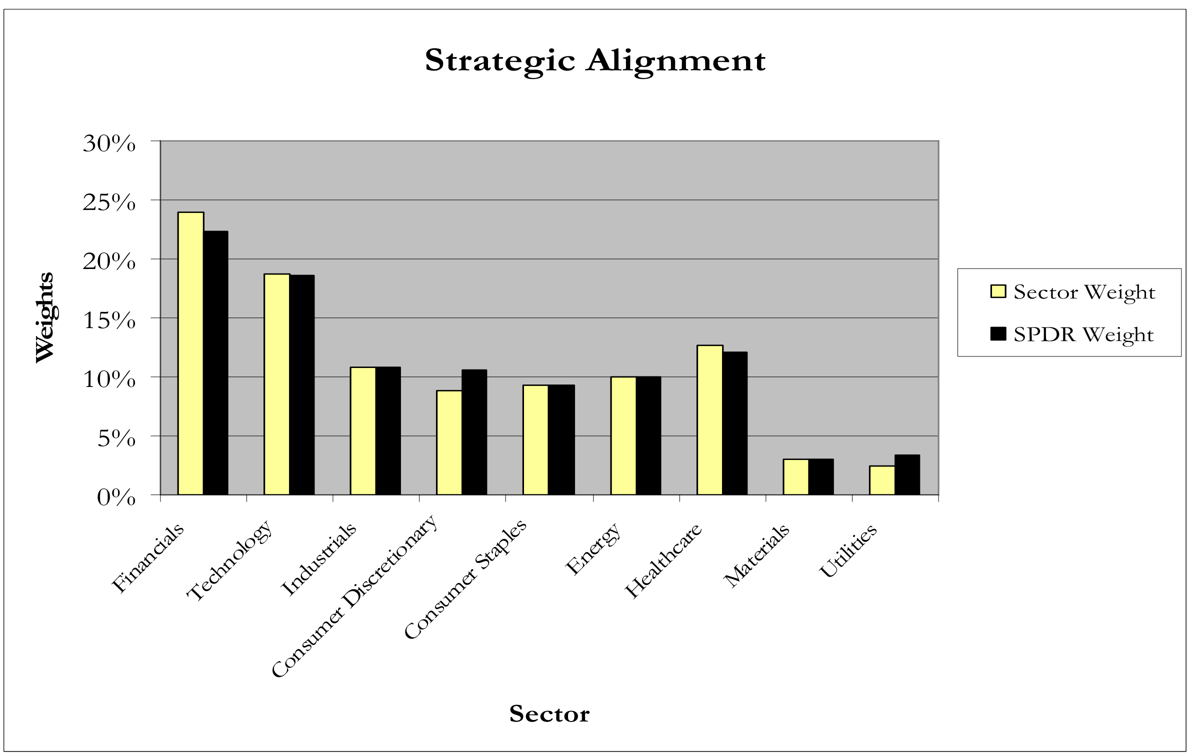
Annualized and Risk Adjusted Returns

	YTD Returns	*Annualized YTD Returns*	*Differential Return*	*Annualized Differential Returns*	*Beta*	*Standard Deviation*	*Sharpe Measure*	*Treynor Measure*
Archway Investment Fund	3.50%	12.49%	-0.51%	-1.91%	1.03	12.43%	0.603	0.073
Dynamic Benchmark	4.16%	14.96%	0.15%	0.56%	0.97	11.89%	0.838	0.103
S&P500 SPDR ETF	4.00%	14.36%			1.00	12.43%	0.753	0.094
S&P 500 Index	4.01%	14.40%						

$1 Investment: Archway Fund vs. S&P 500



Strategic Alignment



Current Holdings as of April 16, 2007

Purchase Date	Ticker	Name	Current Price	Shares	Stock Weight in Portfolio	HPR Percent Gain / Loss	Month Percent Gain / Loss	YTD Percent Gain / Loss	Annualized Percent Gain / Loss
Financials									
10/25/2005	XLF	FINANCIALS SPDR	$36.57	455	4.08%	19.18%	4.86%	-0.05%	-0.16%
3/26/2006	PRU	PRUDENTIAL FINANCIAL	$93.00	100	2.28%	18.99%	4.91%	8.32%	31.43%
3/26/2006	PIC	PS DYN INSURANCE ETF	$18.68	500	2.29%	6.69%	6.00%	1.45%	5.07%
12/2/2005	FHN	FIRST HORIZON NATIONAL	$39.50	100	0.97%	8.54%	-1.29%	-3.30%	-10.86%
12/2/2005	MS	MORGAN STANLEY	$82.07	150	3.02%	17.22%	10.29%	1.11%	3.86%
12/8/2005	BAC	BANK OF AMERICA	$51.23	250	3.14%	4.24%	4.36%	-3.01%	-9.92%
5/3/2006	LM	LEGG MASON	$98.32	50	1.21%	-14.17%	4.20%	3.89%	13.94%
5/15/2006	WM	WASHINGTON MUTUAL	$40.73	50	0.50%	-8.44%	2.13%	-9.39%	-28.63%
3/22/2007	GS	GOLDMAN SACHS	$214.52	30	1.58%	2.06%	7.80%	7.61%	28.52%
3/28/2007	IBN	ICICI BANK	$42.41	100	1.04%	7.50%	14.90%	1.61%	5.60%
1/20/2006	CBH	COMMERCE BANCORP	$33.30	150	1.22%	-3.29%	0.76%	-5.20%	-16.71%
Technology									
10/25/2005	XLK	TECHNOLOGY SPDR	$24.09	850	5.02%	7.43%	4.97%	3.57%	12.74%
10/25/2005	INTC	INTEL	$20.69	250	1.27%	-5.88%	8.04%	2.76%	9.76%
10/25/2005	MSFT	MICROSOFT	$28.73	200	1.41%	17.12%	5.12%	-3.43%	-11.26%
10/25/2005	CSCO	CISCO SYSTEMS	$26.62	350	2.28%	55.67%	2.42%	-2.60%	-8.61%
3/9/2007	NIHD	NII HOLDINGS	$79.40	75	1.46%	10.31%	9.81%	23.22%	104.25%
12/20/2005	ADBE	ADOBE SYSTEMS	$42.40	75	0.78%	12.41%	8.25%	3.11%	11.06%
12/8/2006	GRMN	GARMIN	$54.15	75	1.00%	11.72%	0.73%	-2.71%	-8.98%
2/16/2007	RIMM	RESEARCH IN MOTION	$132.55	50	1.62%	-2.65%	-1.44%	3.73%	13.36%
3/28/2007	INFY	INFOSYS TECHNOLOGIES	$55.73	100	1.37%	10.56%	8.81%	2.14%	7.53%
3/21/2006	AAPL	APPLE	$91.43	50	1.12%	45.36%	2.05%	7.77%	29.16%
Industrials									
10/10/2006	XLI	INDUSTRIAL SPDR	$36.35	150	1.34%	-1.01%	3.34%	4.05%	14.54%
3/21/2006	PHO	PS WATER RES ETF	$19.26	200	0.94%	9.63%	5.38%	4.75%	17.20%
10/25/2005	UPS	UNITED PARCELS	$71.08	50	0.87%	-0.37%	2.63%	-4.15%	-13.50%
10/25/2005	GE	GENERAL ELECTRIC	$35.36	100	0.87%	7.99%	2.91%	-4.24%	-13.77%
12/2/2005	LUV	SW AIRLINES	$15.29	100	0.37%	-7.95%	1.96%	-0.14%	-0.47%
4/26/2006	RYAAY	RYANAIR HOLDINGS	$47.36	100	1.16%	94.74%	9.48%	16.22%	67.24%
12/20/2005	MMM	3M COMPANY	$77.16	50	0.95%	1.70%	2.50%	-0.36%	-1.21%
11/3/2006	INT	WORLD FUEL SERVICES	$46.27	100	1.13%	9.33%	7.10%	4.25%	15.30%
11/29/2006	CAT	CATERPILLAR	$66.90	100	1.64%	8.36%	5.92%	9.56%	36.68%
12/20/2005	HON	HONEYWELL INTERNATIONAL	$47.38	100	1.16%	18.06%	0.94%	5.28%	19.26%

Current Holdings Continued

Purchase Date	Ticker	Name	Current Price	Shares	Stock Weight in Portfolio	HPR Percent Gain / Loss	Month Percent Gain / Loss	YTD Percent Gain / Loss	Annualized Percent Gain / Loss
Consumer Discretionary									
10/10/2006	XLY	CONSUMER DIS SPDR	$39.29	700	6.74%	6.37%	5.47%	2.61%	9.21%
2/16/2007	CVS	CVS	$34.95	125	1.07%	6.98%	6.10%	13.07%	52.23%
10/25/2005	MCD	MCDONALDS	$48.10	100	1.18%	51.09%	10.63%	8.50%	32.21%
12/14/2005	HMC	HONDA MOTOR COMPANY	$34.34	50	0.42%	22.12%	-2.14%	-12.84%	-37.50%
Consumer Staples									
10/10/2006	XLP	CONSUMER STAPLES SPDR	$27.15	1,050	6.99%	15.15%	5.22%	4.45%	16.06%
4/2/2007	KFT	KRAFT FOODS	$32.76	34	0.27%	7.73%	7.69%	-8.24%	-25.47%
12/2/2005	MO	ALTRIA GROUP	$69.37	50	0.85%	41.05%	9.03%	8.68%	32.95%
Energy									
3/21/2006	XLE	ENERGY SPDR	$63.42	85	1.32%	23.37%	12.81%	8.50%	32.20%
10/25/2005	COP	CONOCO PHILLIPS	$70.60	100	1.73%	17.17%	8.05%	-1.27%	-4.27%
11/21/2006	HAL	HALLIBURTON	$32.91	125	1.01%	1.35%	2.90%	6.25%	23.04%
12/12/2006	BHI	BAKER HUGHES	$72.54	50	0.89%	1.32%	15.62%	-2.65%	-8.76%
2/1/2007	OII	OCEANEERING INTERNATIONAL	$46.15	200	2.26%	16.63%	19.00%	16.25%	67.37%
2/14/2007	NE	NOBLE	$82.07	50	1.01%	15.11%	10.55%	7.77%	29.19%
2/20/2007	ARD	ARENA RESOURCES	$47.57	50	0.58%	6.44%	7.75%	11.38%	44.58%
12/20/2005	PLLL	PARALLEL PETROLEUM	$24.43	300	1.80%	38.65%	15.45%	39.04%	208.84%
Healthcare									
10/25/2005	XLV	HEALTH CARE SPDR	$35.77	370	3.24%	21.03%	8.14%	7.20%	26.87%
3/21/2006	PBE	PS BIOTECH ETF	$19.12	325	1.52%	5.34%	11.75%	8.02%	30.21%
12/7/2005	WLP	WELLPOINT	$83.55	50	1.02%	6.77%	6.03%	6.18%	22.76%
3/22/2007	NVS	NOVARTIS	$56.67	75	1.04%	-0.60%	-0.77%	-1.34%	-4.51%
4/28/2006	DNA	GENENTECH	$81.17	75	1.49%	2.51%	-0.38%	0.05%	0.17%
12/21/2006	DGX	QUEST DIAGNOSTICS	$51.69	75	0.95%	-2.38%	5.55%	-2.28%	-7.59%
12/21/2006	SYK	STRYKER	$68.96	75	1.27%	25.58%	5.73%	25.58%	117.95%
2/14/2007	MDT	MEDTRONIC	$51.40	50	0.63%	-5.86%	5.18%	-3.94%	-12.86%
3/21/2006	UNH	UNITEDHEALTH GROUP	$53.85	50	0.66%	-3.39%	1.41%	0.28%	0.96%
Materials									
10/25/2005	XLB	MATERIALS SPDR	$39.40	200	1.93%	14.45%	6.33%	13.33%	53.43%
12/2/2005	ASH	ASHLAND	$60.98	50	0.75%	26.78%	-3.21%	-11.47%	-34.10%
Utilites									
10/10/2006	XLU	UTILITIES SPDR	$40.96	250	2.51%	22.44%	7.22%	12.13%	47.94%
Alternative									
10/31/2006	HXM	HOMEX DEVELOPMENT	$61.42	100	1.51%	37.10%	18.78%	3.98%	14.28%
11/3/2006	CHL	CHINA MOBILE	$48.44	100	1.19%	12.39%	8.59%	12.08%	47.71%
12/13/2006	EWJ	ISHARE JAPAN INDEX	$14.72	100	0.36%	5.70%	2.15%	3.59%	12.82%

Statement of Operations

January 1, 2006 through April 16, 2007

Income:			
Dividends			$ 2,927.43
Interest			$ -
			$ 2,927.43
Expenses:			
Custodial Fees	$ -		
Trading Cost	$ 266.40		
	$ 266.40		$ 266.40
Net Investment Income:			$ 2,661.03
Realized Gain (Loss) on Investments:			
Proceeds from Securities Sold	$ 90,848.72		
Cost of Securities Sold	$ 88,756.39		
Net Realized Gain (Loss) on Investments		$ 2,092.33	
Net Increase (Decrease) in Unrealized Appreciation on Investments:			
Market Value of Holdings as of April 16, 2007	$407,970.12		
Market Value of Holdings as of January 1, 2007	$394,177.24		
Unrealized Appreciation	$ 13,792.88		
Increase (Decrease) in Net Unrealized Appreciation		$13,792.88	
Net Realized Gain (Loss) and Increase (Decrease) in Net Unrealized Appreciation:			$15,885.21
Net Increase (Decrease) in Assets Resulting from Operations:			$18,546.24

Investment Advisory Board

Rodney Baillargeon
SVP, Portfolio Manager
Bank of America

Nicholas Bohnsack
Operating Partner &
Investment Strategist
Strategas Research Partners, LLC

Todd Carey
Principal
Battery Opportunity Fund

Michael Fisher
Managing Director
Barclays Global Investors Services

David Louton
Professor of Finance
Coordinator of C.V. Starr Financial
Markets Center
Bryant University

Barry Morrison
VP of Business Affairs/Treasurer
Bryant University

Jack Murphy
Senior Portfolio Manager
Levin Capital

Peter Nigro
Sarkisian Professor of Financial Services
Bryant University

Jerry Porter
Director, Business and Industry Training
Fidelity Investments

Steven Rogé
Portfolio Manager
R.W. Rogé & Company, Inc.

Louis Silk
NYSE Sales Trader
Dermott Clancy, Inc.

Jack Trifts
Dean, College of Business
Bryant University